COMPANY RESULTS

Eco-Shop Marketing (ECOSHOP MK)

4QFY25: Slower End To The Year But Still Surprises

Eco-Shop's price adjustment following cost increases led to a milder-than-expected sales dip, with margins preserved and earnings exceeding expectations. While foot traffic has yet to recover fully, our conservative view still sees strong growth ahead. We continue to favour Eco-Shop as our top pick in the sector, backed by its defensive positioning and an attractive three-year profit CAGR of 15.1% (FY25-28). Maintain BUY with a higher target price of RM1.65.

4QFY25 RESULTS

Year to 31 May (RMm)	4QFY25	qoq % chg	yoy % chg	FY25	yoy % chg	Comments
Revenue	**689.0**	**-6.4**	**7.5**	**2787.5**	**-84.5**	4QFY25 SSSG of -8.0% lowered 2025's SSSG to -0.4%. Store base enlarged by 25%.
GP	220.1	6.7	26.1	786.4	-58.6	
EBITDA	108.3	-12.8	-9.7	428.3	-70.9	
PBT	68.2	-19.6	-20.9	280.9	-70.0	
Profit	49.4	**-20.0**	**-21.9**	**204.3**	**-70.1**	
Core PATAMI	**55.9**	**-10.2**	**-8.2**	**212.4**	**-68.1**	Above expectations.
Margins	**(%)**	**qoq ppt chg**	**yoy ppt chg**	**(%)**	**yoy ppt chg**	
Gross Profit	31.9	3.9	4.7	28.2	1.8	Margin uplift following its price exercise in Apr.
EBITDA	15.7	-1.1	-3.0	15.4	0.1	Despite minimum wage kicking in, normalised 4QFY25 operating margins were flattish qoq.
Eff. tax rate	-27.5	-0.3	-0.9	-27.3	-0.6	
Core Profit	8.1	-0.3	-1.4	7.6	0.2	

Source: Eco-Shop Marketing, UOB Kay Hian

RESULTS

- **Above expectations.** Eco-Shop Marketing (Eco-Shop) registered a 4QFY25 core profit of RM55.9m (-8.2% yoy, -10.2% qoq). This brought FY25 core profit to RM212.4m (+19.8% yoy). Its maiden quarterly results since its IPO came in above expectations, with earnings accounting for 104% and 105% of our and consensus full-year estimates respectively. Core earnings have been adjusted for its IPO expense and one-off gains and losses. Despite 4QFY25 sales slumping following a revision to its ASPs, it was milder than expected while margins held up relatively well.

KEY FINANCIALS

Year to 31 May (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,404	2,788	3,440	4,192	4,931
EBITDA	317	377	439	522	634
Operating profit	213	254	295	352	399
Net profit (rep./act.)	177	212	248	289	324
Net profit (adj.)	177	212	248	289	324
EPS (sen)	3.3	3.7	4.3	5.0	5.6
PE (x)	41.1	36.5	31.3	26.8	23.9
P/B (x)	13.2	7.8	7.0	6.4	5.8
EV/EBITDA (x)	24.4	20.6	17.7	14.8	12.2
Dividend yield (%)	1.4	1.9	1.8	2.2	2.5
Net margin (%)	7.4	7.6	7.2	6.9	6.6
Net debt/(cash) to equity (%)	13.4	10.4	(1.4)	38.4	35.6
Interest cover (x)	14.7	15.3	20.8	14.9	13.2
ROE (%)	32.9	27.6	23.7	25.0	25.3
Consensus net profit	-	-	266	311	-
UOBKH/Consensus (x)	-	-	0.93	0.93	-

Source: Eco-Shop Marketing, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.35
Target Price	RM1.65
Upside	+22.2%
(Previous TP	*RM1.45)*

COMPANY DESCRIPTION

Eco-Shop is Malaysia's leading fixed-price retailer, offering affordable everyday essentials through a fast-growing nationwide store network.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	ECOSHOP MK
Shares issued (m):	5,747
Market cap (RMm):	7,758.5
Market cap (US$m):	1,835.5
3-mth avg daily t'over US$m):	5.9

Price Performance (%)

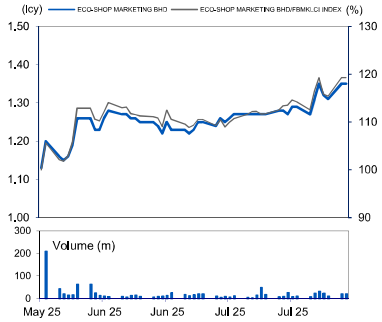
52-week high/low RM2.26/RM1.28

1mth	3mth	6mth	1yr	YTD
8.0	n.a.	n.a.	n.a.	n.a.

Major Shareholders	**%**
Dato' Sri Lee	75.9
Creador	1.9

FY25 NAV/Share (RM)	0.19
FY25 Net Cash/Share (RM)	0.00

PRICE CHART



Source: Bloomberg

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- **Decent topline growth despite price exercise.** 4QFY25 revenue grew by 7.5% yoy (-6.4% qoq). The enlarged store network of 25% yoy to 371 stores for 4QFY25 (4QFY24: 297) was offset by SSSG contracting by -8.0% yoy. The SSSG contraction was due to lower foot traffic following a revision to its ASPs being raised to RM2.60 from RM2.40 in April. The quarter's SSSG weighed down the full year FY25 SSSG to -0.4%.

- **Cautious optimism amid green shoots.** Since May, foot traffic has yet to fully recover but management still hopes to achieve a +3-5% SSSG for FY26 owing to: a) further recovery in foot traffic, b) additional marketing and promotional activities to be undertaken, and c) 20 stores that are due to be refreshed and enhanced could see SSSG improve by 3-15%. Eco-Shop's 70 store per annum rollout target over the medium term is unchanged. Eco-Shop is also poised to benefit from targeted government assistance programmes, with 168 stores currently MyKasih-enabled, and is appealing to the government for a full rollout across all outlets. We err on the side of caution to pencil in a sales per store growth assumption of +1.5% for FY26.

- **Margins are largely sustained by price exercise.** 4QFY25 gross margin expanded by 3.9ppt qoq (4.7ppt yoy) to 31.9% following its price exercise in April, favourable product mix and strengthening of the ringgit vs renminbi. The following quarter should see margins enhanced further following a full quarter's price exercise impact. Headline 4QFY25 operating margins declined to 15.7% or -1.2ppt qoq following the minimum wage impact. However, after adjusting for the one-off IPO listing fee, 4QFY25 operating margins were largely unchanged at -0.1ppt qoq. Positively, management indicated that the price exercise has fully absorbed the higher incremental cost related to minimum wage, SST on rental, electricity and EPF contributions on foreign workers. Core PAT margins declined by -0.4ppt qoq (-1.4ppt yoy) following the lower economies of scale (SSSG contraction). Nevertheless, it lifted FY25 core margins to 7.6% (+0.2ppt yoy).

EARNINGS REVISION/RISK

- We lift our FY26 earnings by 4% following revisions to our sales and margin assumptions. Key risks include strengthening of the renminbi against the ringgit and sharp deterioration in consumer sentiment.

VALUATION/RECOMMENDATION

- **Maintain BUY but with a target price of RM1.65 (from RM1.45)** following our revision in earnings and rolling our valuations to 2026 from FY26. Despite some uncertainty, we expect Eco-Shop's earnings outlook to remain firmly intact. Growing off a low base, we project a three-year profit CAGR (FY25-28) of 15.1%. It is superior to that of 99Speedmart (10.1%) and Mr. DIY (7.5%). We value Eco-Shop at 34.5x 2026F PE, which is the average of our valuation for 99SM (38.9x) and Mr. DIY (30.0x). However, 99SM does deserve a valuation premium given its index-linked status and superior capital efficiency. Meanwhile Eco-Shop merits a premium to Mr. DIY driven by its more compelling growth trajectory from a significantly lower store base and more resilient SSSG.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- **Energy & emission efficiency.** Eco-Shop achieved a 2.5% reduction in emission intensity in FYE 2024, lowering it from 24.63 to 24.02 tCO2e per million revenue in ringgit, even as store count grew from 240 to 297. LED lighting and passive architectural designs at key distribution centres drive energy conservation.
• **Social**
- **Workplace safety & inclusion.** Eco-Shop has established a Health and Safety Committee and an OSHA committee that meets quarterly. These bodies oversee safety training, risk audits, and workplace wellness for its over 6,000 employees across operations.
• **Governance**
- **ESG oversight and independent validation.** While Eco-Shop has not yet received external ESG certification, its sustainability disclosures are incorporated in the IPO prospectus. Financial data, including ESG-linked reporting elements, has been reviewed and assured by PricewaterhouseCoopers (PwC) as part of their reasonable assurance report on the pro forma financials submitted to the Securities Commission Malaysia.

MARGIN ASSUMPTIONS

	FY26F	FY27F	FY28F
Avg. base ASP (RM)	2.60	2.63	2.70
Gross margin (%)	28.1	29.0	29.6
Operating margin (%)	14.6	14.3	14.7

Source: Eco-Shop, UOB Kay Hian

GROWTH AND MARGIN OUTLOOK

	FY25F	FY26F	FY27F
Revenue (RMm)	**3440**	**4192**	**4931**
Growth yoy (%)	23.4	21.9	17.6
PAT (RMm)	**248**	**289**	**324**
Growth yoy (%)	16.8	16.6	12.1
3-year CAGR (%)	33.2	17.7	15.1
Gross Margin (%)	28.1	29.0	29.6
EBIT Margin (%)	10.4	10.2	9.9
PAT Margin (%)	7.2	6.9	6.6

Source: Eco-Shop, UOB Kay Hian

PROFIT & LOSS

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Net turnover	**2,787.5**	**3,440.1**	**4,192.4**	**4,930.7**
EBITDA	376.7	438.6	521.8	634.4
Deprec. & amort.	122.8	143.2	170.3	235.7
EBIT	253.8	295.4	351.5	398.6
Total other non-operating income	59.8	63.8	77.7	91.4
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(24.7)	(21.1)	(34.9)	(48.1)
Pre-tax profit	**289.0**	**338.2**	**394.4**	**442.1**
Tax	(76.6)	(90.1)	(105.1)	(117.8)
Minorities	0.0	0.0	0.0	0.0
Net profit	**212.4**	**248.0**	**289.3**	**324.2**
Net profit (adj.)	212.4	248.0	289.3	324.2

BALANCE SHEET

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Fixed assets	812.1	1,008.4	1,494.1	1,505.3
Other LT assets	143.4	28.7	28.7	28.7
Cash/ST investment	20.9	114.2	56.4	44.3
Other current assets	874.3	1,044.3	1,274.3	1,501.8
Total assets	**1,850.6**	**2,195.7**	**2,853.4**	**3,080.1**
ST debt	123.9	98.9	98.9	98.9
Other current liabilities	370.9	379.4	462.6	535.0
LT debt	0.0	0.0	425.0	425.0
Other LT liabilities	366.2	616.2	650.1	674.6
Shareholders' equity	989.6	1,101.2	1,216.9	1,346.6
Total liabilities & equity	**1,850.6**	**2,195.7**	**2,853.4**	**3,080.1**

CASH FLOW

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Operating	**319.4**	**212.0**	**291.7**	**393.7**
Pre-tax profit	289.0	338.2	394.4	442.1
Tax	(76.6)	(90.1)	(105.1)	(117.8)
Deprec. & amort.	122.8	143.2	170.3	235.7
Associates	(0.0)	(0.0)	(0.0)	(0.0)
Working capital changes	(21.4)	(178.0)	(166.5)	(164.6)
Other operating cashflows	5.6	(1.2)	(1.4)	(1.6)
Investing	**(519.7)**	**(88.8)**	**(508.6)**	**(99.4)**
Capex (growth)	(118.2)	(90.0)	(510.0)	(101.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(401.5)	1.2	1.4	1.6
Financing	**165.9**	**(29.8)**	**159.1**	**(306.3)**
Dividend payments	(150.4)	(136.4)	(173.6)	(194.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	200.0	425.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	316.4	(93.4)	(92.3)	(111.8)
Net cash inflow (outflow)	**(34.3)**	**93.3**	**(57.8)**	**(12.0)**
Beginning cash & cash equivalent	**55.2**	**20.9**	**114.2**	**56.4**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**20.9**	**114.2**	**56.4**	**44.3**

KEY METRICS

Year to 31 May (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.5	12.7	12.4	12.9
Pre-tax margin	10.4	9.8	9.4	9.0
Net margin	7.6	7.2	6.9	6.6
ROA	13.6	12.3	11.5	10.9
ROE	27.6	23.7	25.0	25.3
Growth				
Turnover	16.0	23.4	21.9	17.6
EBITDA	18.9	16.4	19.0	21.6
Pre-tax profit	19.6	17.0	16.6	12.1
Net profit	19.8	16.8	16.6	12.1
Net profit (adj.)	19.8	16.8	16.6	12.1
EPS	12.6	16.8	16.6	12.1
Leverage				
Debt to total capital	11.1	8.2	30.1	28.0
Debt to equity	12.5	9.0	43.1	38.9
Net debt/(cash) to equity	10.4	(1.4)	38.4	35.6
Interest cover (x)	15.3	20.8	14.9	13.2

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